

Message Text

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42

ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 NEAE-00 SP-02 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

COME-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 USIA-06

PRS-01 IGA-01 /079 W

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R 151214Z APR 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 3344

AMEMBASSY LONDON

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY PARIS

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PARIS FOR UNDER SECRETARY ROBINSON

E.O. 11652: NA

TAGS: EGEN EALR EG

SUBJECT: STATE OF THE ECONOMY

REF: A. CAIRO 3641 (NOTAL) B. CAIRO 3716 (NOTAL)

1. IMF REPS NOW IN CAIRO HAVE, ON BASIS VERY PRELIMINARY EXAMINATION OF STATE OF ECONOMY, EXPRESSED CONCERN ABOUT EGYPT'S ABILITY TO SURMOUNT CURRENT LIQUIDITY CRISIS. PHRASE THEY USE IS "BANKRUPTCY", RESULTING FROM OVERLAY OF SHORT-TERM INDEBTEDNESS ON ALREADY SERIOUS BURDEN OF LONG-TERM DEBT SERVICING REQUIREMENTS. BEST HOPE FOR ESCAPE, THEY FEEL, WOULD BE ASSUMPTION OF SHORT-TERM COMMITMENTS BY OTHER ARABS THROUGH EXTENSION OF LONG-TERM LOAN TO EGYPT AT REASONABLE (READ NON-COMMERCIAL) RATE OF INTEREST. THIS COULD BEST BE DONE UNDER UMBRELLA

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OF IMF EXTENDED FACILITY, WHICH WOULD PLACE ENTIRE EXERCISE

IN CONTEXT OF INTERNATIONAL ASSISTANCE CONSORTIUM. SUBJECT
HAS EVIDENTLY NOT BEEN RAISED WITH ARABS, OR AT LEAST
NOT TO KNOWLEDGE OF IMF PERSONNEL HERE.

2. COMMENT: IN HIS INTERVIEW WITH AL SIYASSA (REF B),
PRESIDENT SADAT SAID THAT FOREIGN EXCHANGE RESERVES CARRIED
OVER FROM 1974 TO CURRENT BUDGET WERE EQUAL TO ONLY
LE 30,000 OUT OF PLANNED FOREX EXPENDITURES FOR THIS YEAR
OF LE 3 BILLION. DEFICIT WAS AVOIDED BECAUSE SAUDI ARABIA,
KUWAIT, QATAR AND ABU DHABI HONORED THEIR COMMITMENTS
UNDER THE RABAT SUMMIT DECISIONS.

3. FORMER PRIMIN HEGAZY, IN APRIL 2 MEETING WITH CODEL
O'NEILL, SAID EGYPT HAD SUSTAINED DEFICITS IN BOTH TRADE AND
PAYMENTS BALANCES. SURPLUS MENTIONED BY PRES SADAT IS
HARDLY A SIGNIFICANT DIFFERENCE WHEN MEASURED AGAINST
ESTIMATES OF OBSERVERS HERE THAT TRADE DEFICIT WAS IN
NEIGHBORHOOD OF LE 1 BILLION.

4. EXACT STATE OF THE ECONOMY IS NOT KNOW BY MANY
OUTSIDE GOE, BUT RUMORS OF CRISES PERSIST. LATEST
HERE IN CAIRO IS THAT GOVERNMENT WILL NOT BE ABLE TO MEET
MAY PAYROLLS. WHILE THIS PROBABLY NOT LIKELY, IT CLEARLY DOES
NOT CONTRIBUTE A FEELING OF CONFIDENCE IN THE ECONOMIC
STABILITY OF THE COUNTRY.
MAESTRONE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CAIRO03774
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750131-0597
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750447/aaaabrwn.tel
Line Count: 87
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 CAIRO 3641, 75 (NOTACAIRO 3716
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 15 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 MAY 2003 by izenbei0>; APPROVED <19 MAY 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: STATE OF THE ECONOMY
TAGS: EGEN, EALR, EG
To: STATE LONDON
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006